

# Retired Farm Operators: Who Are They?

*Approximately 17 percent of all farm operators considered themselves retired in 1993. Although the farms of retired operators generate little cash income, they are a major asset for the operators and their households. Renting out acreage and enrolling acreage in the Conservation Reserve Program are widely used by retired farmers to receive income without working their land.*

**F**ARM operators tend to be much older than the labor force as a whole. About 27 percent of all farm operators were at least 65 years old in 1993 compared with only 3 percent of the civilian labor force and 7 percent of the nonfarm self-employed. Unlike labor force data, however, farm data include operators who consider themselves retired but still run small farms.

Retired people are usually classified as outside the labor force because they do not work and do not seek work. So, how can someone be retired and also work operating a farm? This apparent contradiction occurs because the definition of a farm operator is independent of labor force concepts. Each farm has at least one operator, and only \$1,000 of farm product sales are necessary to qualify as a farm under the current official farm definition. Thus, some older people who work very little on their farms and who consider themselves retired (and out of the labor force) have operations that satisfy the official farm definition. They may be retired, but they also are farm operators. About 352,000 farm operators, or 17 percent of all U.S. farm operators, considered themselves retired in 1993, but retired operators accounted for only about 2 percent of the value of agricultural production that year.

Not all elderly farmers consider themselves retired, however, and those who are not retired continue to work a substantial number of hours on their farms. Nonretired

elderly operators numbered 282,000 in 1993, and they worked an average of 1,685 hours per year on their farms. In contrast, retired operators worked an average of only 685 hours per year.

Although they work few hours and produce little, analyzing retired operators is important for two reasons. First, information about retired operators helps in understanding the farming activities of a large number of older farmers. Second, some observers are concerned about the future of agriculture, given the large percentage of farmers at least 65 years old. Comparing retired operators with other operators may suggest potential replacements. I compare retired farmers with all U.S. farmers and with nonretired operators, who are divided between those who report farm work or hired farm manager as their major occupation and those who report a major occupation other than farming. I did not separate hired managers from the self-employed because hired managers account for only about 1 percent of all operators. Data for this article are from the 1993 Farm Costs and Returns Survey (FCRS). See "The Farm Costs and Returns Survey," p. 35, for more details.

## Retired Operators Run Small Farms

Retired farmers operate small farms, whether size is measured in sales or acres. About 84 percent of farms with a retired operator had sales less than \$10,000 in 1993, nearly double the share of all operators in this sales class and even 13 percentage points more than the corresponding share of nonretired operators with nonfarm occupations (fig. 1). At the other end of the size spectrum, less than 2 percent of retired operators ran commercial farms (sales of \$50,000 or more).

---

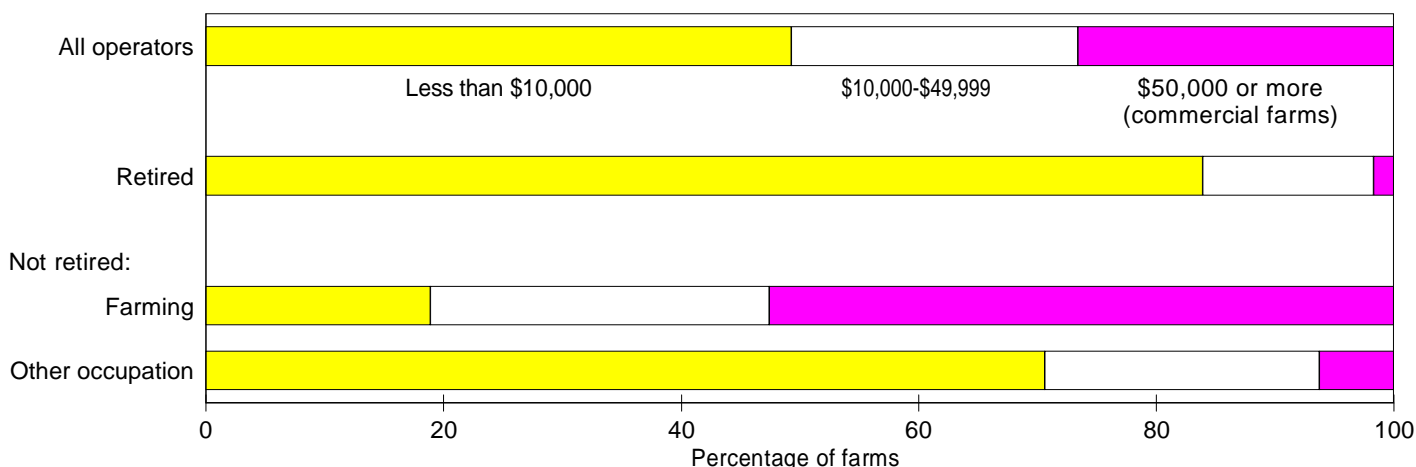
Robert Hoppe is an agricultural economist in the Farm Business Economics Branch, ERS, USDA.

Phone 202/501-8308 • Fax 202/219-0371 • E-mail rhoppe@econ.ag.gov

Figure 1

**Distribution of farms by sales class, 1993**

Most retired farm operators have sales of less than \$10,000



Source: Calculated by ERS using data from the 1993 Farm Costs and Returns Survey.

Acres operated averaged 143 for farms with retired operators, about one-third of the U.S. average and less than the corresponding estimates for farms in the two nonretired comparison groups (fig. 2). Only farms with retired operators rented out more land than they rented in, an expected finding, since most retired operators spent relatively few hours farming. Renting land out earns a return from excess acreage.

Retired operators differed from all operators in commodity specialization. Compared with all operators, a larger percentage of retired operators specialized in beef, hogs, or sheep and a smaller percentage specialized in other livestock (table 1). However, about the same share of retired operators (56 percent) and operators with a non-farm major occupation (55 percent) specialized in beef, hogs, or sheep. Cattle farms, which account for most of the beef, hogs, or sheep category, often have more flexible labor requirements than other enterprises and fit well with an off-farm job or retirement. Dairy farms, which are more labor intensive, are classified as other livestock farms, not as beef, hog, or sheep farms.

Retired operators were less likely to specialize in cash grain and more likely to specialize in other field crops than operators in general. Retired operators' large specialization in other field crops (25 percent) reflected their heavy participation in the Conservation Reserve Program (CRP), originally designed to remove highly erodible land from production. The FCRS classified farms with all their acreage in the CRP as specializing in other field crops. About 62 percent of retired operators specializing in other field crops had their whole farm in the program. Like

renting land out, the CRP allowed retired farmers to earn income from excess land.

### **Retired Operators' Farms Generated Little Income . . .**

Gross cash income gives an indication of the total cash income generated by farming operations through farming and closely related activities. Average gross cash income for farms run by the retired group (\$8,700) was much less than the average for all farms (\$68,900) and for farms in the two nonretired groups (table 1). This is hardly surprising, given the small size of retired operators' farms.

Sources of gross cash income also differed between farms with retired operators and other farms. Crop sales made up a smaller share of gross cash income for farms operated by the retired group than for all farms or for farms in the two nonretired groups. As explained above, retired operators' most common crop specialty (other field crops) includes farms entirely in the CRP program, which generates government payments, not cash income from crop sales.

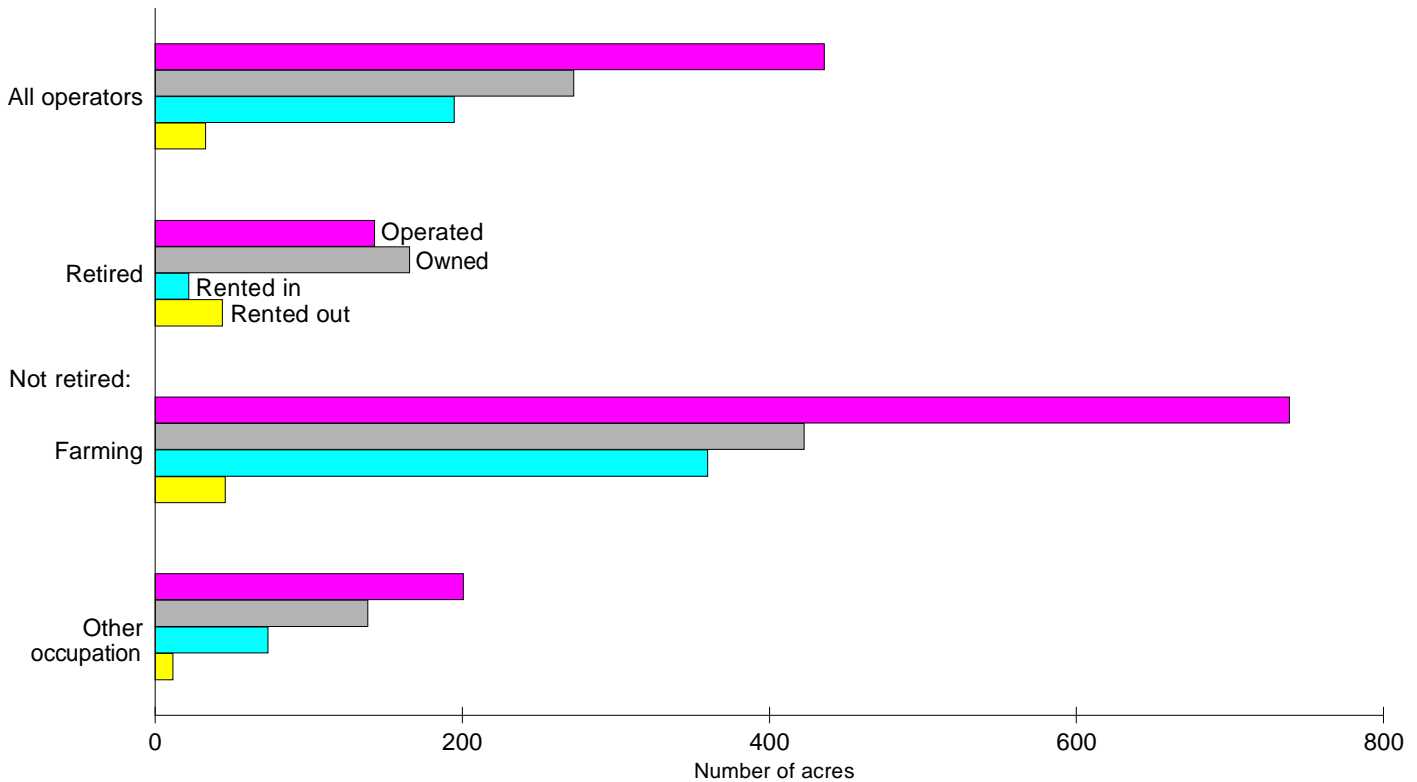
On the other hand, livestock sales generated about the same percentage of income for farms with retired operators, all farms, and farms in the two nonretired groups. Approximately 60 percent of the farms in each category specialized in livestock, so all of the categories relied on livestock sales to the same degree.

Retired operators' 17-percent share of gross cash farm income from government payments reflects their heavy participation in the CRP. About 18 percent of farms with retired operators had land in the CRP compared with only 11 percent of all farms. In contrast, hardly any farms with

Figure 2

## Acres operated, owned, and rented in and out, 1993

Retired operators work the fewest acres and are the only group to rent out more acres than they rent in



Source: Calculated by ERS using data from the 1993 Farm Costs and Returns Survey.

retired operators set aside land under commodity programs compared with 21 percent of all farms.

Other farm-related income was a larger percentage of gross cash income for farms with retired operators (18 percent) than for all U.S. farms (11 percent). Rental of farmland made up about half of this income category for farms with retired operators.

### ... But Were Financially Sound

Although farms with retired operators averaged substantial net worth (\$230,400), their net worth was less than the averages for all farms (\$349,400) and farms with operators reporting farming as their major occupation (\$497,400) (table 2). Retired farmers had very little farm debt, however. About 92 percent of farms with a retired operator had a debt/asset ratio of less than 10 percent compared with only 63 percent for all farms. Moreover, about three-quarters of the farms with retired operators had a favorable financial position (defined as positive net farm income and a debt/asset ratio of no more than 40 percent), considerably greater than the corresponding percentages for all farms and for farms in the two nonretired groups.

Because farms vary so widely in acreage, I also examined the value of land and buildings, which can be measured on both a per farm and per acre basis. Despite their small size, farms run by retired operators had land and buildings with an average value of \$193,800, about the same as the average for farms with operators reporting a nonfarm occupation, but substantially less than the average for farms with operators reporting farming as their major occupation.

On a per acre basis, however, retired operators' farms were worth more than the farms of operators reporting farming as their major occupation. Compared with retired farmers, operators reporting farming as their major occupation were more likely to live in the Midwest, in farming-dependent counties, and in nonmetro counties not adjacent to a metro area. Fewer competing uses for land in these areas may keep real estate values lower.

### Personal Characteristics Reflect Age

Not surprisingly, retired operators were much older than operators in general (fig. 3). Retired operators averaged

Table 1

**Farms by specialty, 1993**

*Retired operators are concentrated in beef, hog, or sheep production and obtain the largest share of their gross cash income from livestock sales*

Item	All	Retired	Not retired, by occupation:	
			Farming	Other
Number				
Farms and operators	2,063,300	351,634	940,421	771,245
By specialty:				
Percentage				
Cash grain	17.0	6.5	24.6	12.6
Other field crops	16.6	24.5	11.9	18.7
Fruits, tree nuts, vegetables, or nursery/greenhouse	7.8	9.9	7.9	6.7
Beef, hogs, or sheep	46.7	55.7	36.8	54.7
Other livestock	11.9	3.5*	18.9	7.3
Dollars per farm				
Gross cash income	68,891	8,721	134,541	16,273
Percentage				
Livestock sales	43.6	43.7	43.3	47.6
Crop sales	38.8	21.0	39.8	33.0
Government payments	6.9	17.4	6.5	8.3
Other farm-related income <sup>1</sup>	10.7	18.0	10.5	11.2

Note: Farm specialty classification represents the largest portion of farm sales. Dairy farms are classified as other livestock farms. Milk sales are classified as livestock sales under gross cash income.

\*Standard error is 33.9 percent of the estimate.

<sup>1</sup>Includes income from custom work, machine hire, livestock grazing, farmland rental, contract production fees, timber sales, outdoor recreation fees, hedging, tobacco allotment leases, road tax refunds, and any other farm-related income.

Source: Calculated by ERS using data from the 1993 Farm Costs and Returns Survey.

Table 2

**Financial status indicators, 1993**

*Retired operators' net worth averages about the same as that of nonretired operators with occupations other than farming; a large share of retired operators have low debt and are in a favorable financial position*

Item	All	Retired	Not retired, by occupation:	
			Farming	Other
Dollars per farm				
Farm net worth	349,356	230,441	497,442	223,005
Percentage				
Low debt/asset ratio <sup>1</sup>	62.8	91.9	55.4	58.6
Favorable financial position <sup>2</sup>	59.6	73.3	60.6	52.1
Dollars				
Gross value of land and buildings:				
Per farm	279,497	193,782	381,678	193,982
Per acre	1,024	1,166	903	1,397

<sup>1</sup>Debts are 10 percent or less of the value of assets.

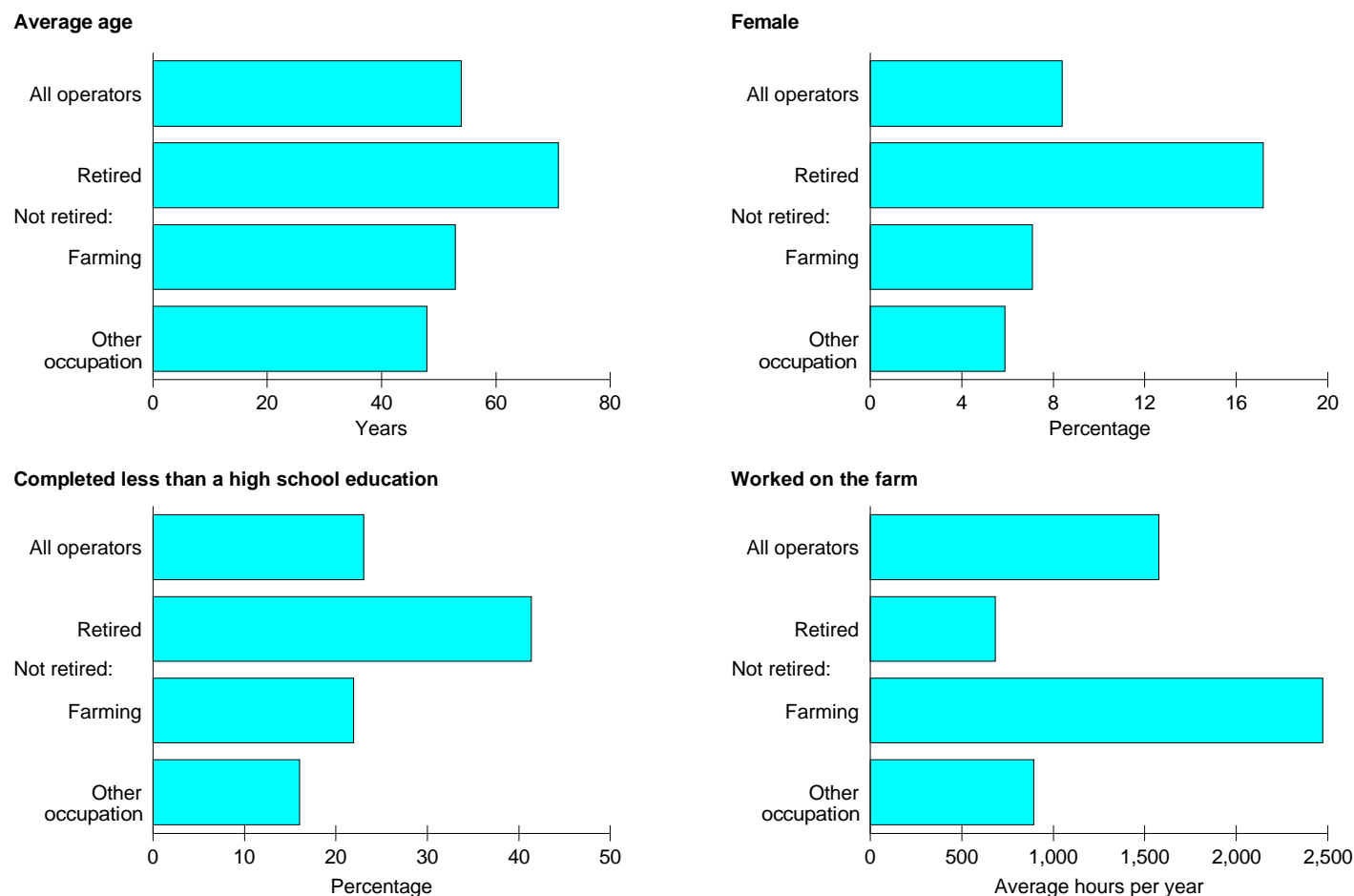
<sup>2</sup>Net farm income is positive and debts do not exceed 40 percent of the value of assets.

Source: Calculated by ERS using data from the 1993 Farm Costs and Returns Survey.

Figure 3

### Personal characteristics of farm operators, 1993

The advanced age of retired farm operators helps explain their higher likelihood of being female, not completing high school, and working fewer hours on the farm



Source: Calculated by ERS using data from the 1993 Farm Costs and Returns Survey.

71 years of age, or 17 years older than the average for all operators (54 years). Retired operators also were older, on average, than nonretired operators with a farming occupation and nonretired operators with another occupation. Not all retired operators were elderly, however; about 18 percent of retired operators were 55 to 64 years old.

Women made up about 17 percent of retired operators compared with only 8 percent of all operators and similar percentages of the two comparison groups of nonretired operators. Many retired female operators were probably widows.

About 41 percent of retired operators did not complete high school compared with 23 percent of all operators and similar percentages for the two groups of nonretired operators. Retired operators' educational attainment reflects their advanced average age. Older people generally are

less likely to have completed high school than younger adults.

Retired operators reported relatively few hours of farm work. On average, retired operators worked 685 hours per year on their farms, or approximately 13 hours per week, substantially less than the average for all operators and for the two comparison groups of nonretired operators. About 47 percent of retired operators worked fewer than 500 hours per year compared with 22 percent of all operators.

#### Retired Operator Households Depend on Off-Farm Income

As one would expect, average household income was much lower for households with a retired operator (\$26,500) than for all U.S. operator households (\$40,200) (table 3). Households with a retired operator also had

Table 3

**Financial characteristics of farm operator households, 1993***Retired operator households rely heavily on off-farm income*

Item	All	Retired	Not retired, by occupation:	
			Farming	Other
Number				
Operator households <sup>1</sup>	2,035,692	347,410	919,044	769,237
Dollars per household				
Total household income <sup>2</sup>	40,223	26,507	36,117	51,322
Percent				
Operator household compared with U.S. average <sup>3</sup>	97.1	64.0	87.2	123.9
Distribution of household income by source:				
Earned income	74.7	17.4	73.6	88.9
Farm income	12.0	S	38.6	-7.3
Off-farm business income	16.7	5.3*	8.7	26.0
Off-farm wages and salaries	46.0	13.5	26.3	70.2
Unearned income	25.3	82.6	26.4	11.1
Interest or dividends	7.0	20.4	7.4	3.5
Social Security and other public programs <sup>4</sup>	10.2	44.3	10.3	2.1
Other off-farm income <sup>5</sup>	8.3	17.8	8.8	5.5

Note: S = Suppressed. Cell was suppressed because the standard error was greater than 50 percent of the estimate. \* = Standard error is 25.9 percent of the estimate.

<sup>1</sup>The count of operator households is slightly less than the count of farms because farms with hired managers and farms organized as nonfamily corporations or cooperatives are excluded. See "The Farm Costs and Returns Survey," p. 35, for more details.

<sup>2</sup>Household income is defined to be consistent with the Census Bureau's money income concept. See "The Farm Costs and Returns Survey," p. 35, for more details.

<sup>3</sup>Total income per operator household divided by average U.S. household income (\$41,428) from the Current Population Survey.

<sup>4</sup>Veterans' benefits, military retirement, unemployment, and other public retirement and public assistance programs.

<sup>5</sup>Includes net income from estates or trusts, net rental income from farm and nonfarm properties, royalties for mineral leases, private pensions, annuities, alimony, regular contributions from persons not living in the household, and any other income.

Source: Calculated by ERS using data from the 1993 Farm Costs and Return Survey.

substantially lower total income than households of the two groups of nonretired operators. As defined here, household income includes only money income and excludes nonmonetary items. (See "The Farm Costs and Returns Survey," p. 35, for more details.)

The average income of retired operator households was 64 percent of the average household income for all U.S. households compared with 97 percent for all operator households. The average income for retired operator households, however, reached 102 percent of the average income for all U.S. households with a householder at least 65 years old, suggesting retired operator households were no worse off than older households in general.

Reflecting their retired status, retired operator households received large percentages of their income from interest and dividends, Social Security and other programs, and the category "other off-farm income." Other off-farm income includes private pensions and miscellaneous

property income, including the rental of farmland (see "The Farm Costs and Returns Survey," p. 35, for details on classification of farmland rent). Operator households in general and the two groups of nonretired operators received a much smaller share of their income from these unearned sources.

The term "unearned income" refers to income from sources other than work performed in the time period under consideration. Unearned income, however, often reflects earned income received from work earlier in life and delayed consumption. Retired operators now receive Social Security and interest later in life because they used some of their earnings earlier in life to pay Social Security taxes and to save.

Households with retired operators also received small amounts of earned income, largely from off-farm wages and salaries earned by the operator, the spouse, or another household member. Only households with operators

reporting farming as their major occupation netted a substantial share of household income from farming. Households of retired operators apparently received few economic benefits from farming, as far as household income is concerned. The household income measure used here excludes nonmonetary income, however, and nonmonetary income averaged about \$3,500 for farms of retired operators in 1993. Sources of nonmonetary income are the imputed rent value of farm dwellings and the value of agricultural products consumed at home.

### Discussion

The information presented above has some obvious implications for using statistics on farming. It also sheds some light on the importance of farming to retired operators, the importance of the CRP to retired operators, and the importance of replacement operators to the future of farming.

**Using Statistics.** One should be cautious when interpreting broad descriptions of U.S. agriculture based on aggregate statistics. U.S. agriculture is diverse and includes the farms of retired operators, operators who farm as their major occupation, and operators with an off-farm major occupation. U.S. averages hide much variation within the industry.

In some cases, focusing on a particular group makes sense. Which segment of U.S. agriculture should be examined depends on the topic under consideration. During farm policy discussions, for example, analysts may want to focus on the farmers that produce the bulk of farm output and present separate data for retired operators and other groups that produce relatively little.

**Importance of the Farm to Retired Operators.** In general, the farms of retired operators generate low sales and low farm income, and retired operators spend relatively few hours on farm work. Retired operators' households depend heavily on Social Security for living expenses. Despite these facts, retired operators receive two important economic benefits from their farms.

First, farms are a major asset for retired operators. The average net worth of farm businesses with retired farm operator households was \$230,400 in 1993. Households other than the operator's, such as those of partners and relatives, may share in the ownership of the farm, so the entire net worth of the farm may not belong to the operator household. For households with retired operators, the household share of the net worth of the farm averaged \$226,900, which did not differ from average net worth of the whole farm by a statistically significant amount. Farm net worth accounted for 76 percent of the total net worth of retired operator households.

Second, farms provide nonmonetary income to retired operators and their households. In 1993, farms of retired operators generated an average of \$3,500 in noncash income, made up of the imputed rental value of the farm dwelling plus the value of farm products consumed on the farm. This noncash income adds to the well-being of retired operators and their households, but it is not included in the household income estimates because it is not received in the form of cash.

**The Conservation Reserve Program.** The CRP could be considered at least partially a retirement program, because many retired operators have enrolled land in the program. About 18 percent of farms with retired operators had land in the CRP in 1993 compared with 11 percent of all farmers. In addition, farms with retired operators accounted for about 26 percent of CRP participants and 28 percent of CRP acreage. Not only had some operators retired, but so had part of their land.

**The Future of Farming.** Some analysts express concern over the high percentage of operators over age 65 and worry about replacement farmers. Eventual replacements for operators currently reporting farming as their major occupation hold particular importance because these farmers produce 89 percent of the value of production. Fred Gale has explained that the traditional pool of replacement farmers has been young people raised on farms (Gale, 1994). That pool of people has declined because of off-farm migration and the declining number of children born to farm women during recent decades.

Some replacements could come from the pool of operators with a major occupation other than farming. Compared with operators reporting farming as their major occupation, operators reporting another occupation are more likely to be under age 55. These operators, however, could hardly be described as young. Their average age was 48 years in 1993, only 5 years less than the 53-year average for operators reporting farming as their major occupation, so switching their major occupation to farming would only be a temporary solution to the shortage of younger farmers. In any event, it is unlikely that many operators with a nonfarm major occupation would switch occupations. These operators currently have adequate income from off-farm sources, and few are likely to be interested in a greater commitment to farming.

Yet, finding replacement operators may not be a real problem. Fewer farmers will be needed to produce any given amount of output. The large number of operators at least 65 years old can be replaced with a smaller number of new farmers because older farmers typically produce less than younger farmers (Gale, *RDP*, Vol. 8, Issue 3).

Retired farm operators are counted as farmers, but if they are not replaced as they leave farming, only the 2 percent of production they account for would be lost. Production might actually increase if retired operators' remaining assets were sold or rented to younger, more active operators who could use them more effectively.

Finally, the FCRS and the census of agriculture both undercount the number of young operators because they collect information about only one operator per farm. At least some replacement farmers currently work alongside older operators.

### For Further Reading

F. Gale, "America's Aging Farmers: Who Will Take Their Place?" *Rural Development Perspectives*, Vol. 8, Issue 3, pp. 20-24.

F. Gale, *The New Generation of American Farmers: Farm Entry and Exit Prospects for the 1990's*, AER-695, USDA-ERS, Oct. 1994.

R. A. Hoppe, *Who Are Retired Farm Operators?* AER-730, USDA-ERS, April 1996.

### The Farm Costs and Returns Survey

Data for this article came from the 1993 Farm Costs and Returns Survey (FCRS). The FCRS is a cooperative project of the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS), both USDA agencies. The annual survey collects financial data on farm businesses and basic information on the farm operator and the operator household. There were 7,939 usable sample farms in 1993. Retired operators ran 530 of these sample farms.

The target population of the FCRS is all U.S. farming units in the 48 contiguous States that sell or normally would sell at least \$1,000 of agricultural products during the calendar year covered by the survey.

Differences between estimates for retired and nonretired operators in this article are significant at the 90-percent level or higher. According to ERS guidelines for use of the survey data, any estimate with a standard error greater than 25 percent of the estimate must be identified. Such estimates are indicated in the tables.

In 1993, the FCRS first allowed "retired" as a response to its question about the major occupation of farm operators. In the past, the responses were limited to "farm or ranch work," "hired manager," and "something else." The 1993 FCRS is the first nationwide data source to specifically identify farm operators who consider themselves retired.

The number of operator households is generally about 1 percent smaller than the number of farm businesses because the operator household concept is not relevant for the small number of farm businesses not closely held by the operator and the operator's household. Farms organized as nonfamily corporations or cooperatives are excluded from the farm operator household files. Farms operated by hired managers are also excluded.

Household income from the FCRS is defined to be consistent with the money income concept used by the Census Bureau. This allows comparing operator household income from the FCRS with total U.S. household income from the Current Population Survey (CPS) conducted by the Census Bureau. Money income includes any income received as cash, excluding income received in-kind. The Census Bureau departs from a strictly cash concept by deducting depreciation as an expense for the self-employed.

Both farm and off-farm sources of income are included when measuring operator household income. Household farm income includes the operator household's share of their farm's cash income less cash expenses and depreciation. Also included as farm income are wages paid by the farm business to household members and net income received by the household from another farm business. Farm household income differs conceptually from net farm income, which is often used to measure returns to the farm business. For example, net farm income includes noncash items.

Due to changes to conserve space in the 1993 FCRS questionnaire, net income from farmland rentals was included as part of other off-farm income in the household income accounts (table 3). In previous years, net income from farmland rentals was counted as part of household farm income. In the farm business financial accounts (table 1), farmland rent had always been, and continued to be in 1993, included in gross cash farm income as a part of other farm-related income.